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SUBJECT: ICELAND MOVING FORWARD WITH EU MEMBERSHIP PROCESS

¶1. (U) Summary: Iceland is swiftly moving forward with the EU membership process and accession could come as early as 2012. The issue remains contentious in Iceland with current popular opinion reportedly split down the middle. Ultimately, the decision will likely come down to a national referendum that could take place in late 2011 or early 2012. Organizations on both sides of the argument are already trying to get out in front of the issue and influence the public well in advance of the referendum. End Summary.

The Process

¶2. (U) When Iceland's Foreign Minister, Ossur Skarphedinsson, presented his country's official application for EU membership in Sweden on July 23, it commenced a lengthy process that likely won't conclude until late 2012 or early 2013. The first hurdle was overcome on July 27 when the foreign ministers of the twenty-seven EU member states discussed the issue at a meeting of the General Affairs and External Relations Council in Brussels. The Council had no objections to Iceland's EU application and sent the matter on to the European Commission for further study. The Commission, which is comprised of twenty-seven commissioners who are bound to support the interests of the EU rather than their home states, will review Iceland's candidacy based upon its ability to fulfill the Copenhagen criteria--a series of measures that assess a candidate country's ability to adhere to the political, economic and monetary requirements of the EU.

¶3. (U) The Commission then turns its completed report over to the European Council, which is comprised of the heads of state or government of the EU's member states along with the President of the European Commission. The Council must unanimously agree to grant Iceland the status of an applicant country. A meeting of the European Council is scheduled for December and it is possible that Iceland's candidacy could be voted on at that time. If the European Council grants Iceland candidate status, then accession negotiations will probably begin shortly thereafter in early 2010. The negotiating process could take up to three years, but will likely be shorter since Iceland has already adopted much of the EU's laws and regulations through its membership in the European Economic Area (EEA) agreement and its status as a Schengen country. Once the negotiations are complete, a treaty of accession will be signed, which must be ratified by each individual EU member state, as well as the parliaments of the EU and Iceland.

¶4. (U) Before Iceland's parliament approves this final treaty, however, Iceland intends to hold a referendum on the subject, probably in 2011 or 2012. The referendum process is expected to be a contentious affair as current public opinion on the issue is split. Media sources are currently reporting that about forty percent of the population is pro-European and an equal percentage is against the proposal with the remaining twenty percent undecided.

Referendums under the parliamentary constitution are not legally binding, but the Icelandic government has stated that the "will of the people" would ultimately determine if Iceland enters into the EU.

The Pro-European Argument

¶15. (SBU) Pro-European groups are already mobilizing in an attempt to influence public opinion, well in advance of the referendum. EmbOffs met on July 23 with two leading members of an organization named the European Movement, which is emerging as one of the main pro-Europe voices in the debate. They were both quick to stress that Iceland, following the bank collapse last October, desperately needs the stability that EU membership can provide. Specifically, they said, the Euro was needed because it would bring stability through lower interest rates, lower food prices, lower mortgage prices, and less inflation.

¶16. (SBU) They said that most of the supporters for entry into the EU are comprised of educated professionals in the higher income brackets. They also suggested that basically all industries, except for the fishery and agriculture sectors, support EU membership. Interestingly, younger people, who historically have supported EU membership, seem to currently be gravitating away from that view. This greatly disappointed and perplexed them and they posited that perhaps the anti-European groups were utilizing technology more effectively than their organization. The anti-European message, they suggested, can more easily be condensed into a few words and is therefore more digestible to younger people via SMS and Twitter. They said that their organization intends to adjust its tactics and will make young people a prime target of their education campaign.

¶17. (SBU) They also expressed their belief that the controversial Icesave issue needs to be resolved before the EU process can gain

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any real traction. (Note: A bill is currently being debated in the Icelandic Parliament which would guarantee the repayment of billions of dollars to citizens from Britain and the Netherlands who held Icelandic accounts prior to the banking collapse in October. End Note.) They said that despite politicians' claims to the contrary, there is a definite connection between the need to pass the Icesave bill and Iceland's quest for EU membership. Iceland, they said, will not have any credibility in the eyes of the EU unless it steps up to the plate and takes responsibility for the Icesave debt.

The Anti-European Argument

¶18. (SBU) The anti-European movement is also strongly working to get out its message. EmbOffs met on July 24 with a spokesperson for a group called Global Perspective which appears poised to become the main opposition voice in the debate over Icelandic EU membership. He said that the primary drawback to joining the EU for Iceland is the loss of sovereignty and independence. He also suggested that the Icelandic fishing industry would be damaged irreparably by joining the EU. The EU, in his opinion, is likely to abolish the 200 nautical mile fishing zone that Iceland has established, effectively opening up Iceland's territorial waters to fishing by other countries. Even if Iceland were able to hold on to its territorial waters through negotiation, the Global Perspective spokesperson felt that EU rules would be so restrictive, dictating even what type of fishing lines Icelandic fishermen can use, that the fishing industries would be crippled.

¶19. (SBU) Joining the EU, he added, would also be the death knell to the agricultural sector in Iceland. The EU, he said, would likely force Iceland to do away with the government subsidies and protectionist tariffs that keep Icelandic agricultural products from becoming prohibitively expensive. Without this government support, he claimed, over 70 percent of Icelandic farmers would go out of business. This statistic was true, he said, even if Iceland is able to negotiate a deal similar to what Finland achieved in which it had been able to keep some government subsidies in place for agricultural goods grown above a latitude of 62 degrees--an exemption provided by the EU in acknowledgment that farmers operating in such northern climates are at a significant

disadvantage as compared to their European counterparts who work in more temperate climes.

¶10. (SBU) Ultimately, he felt that Iceland would follow a path similar to Norway, where voters have twice voted against membership in major European institutions in national referendums (Note: Norway voted against the EC in 1972 and against EU membership in 1994. End Note.) He felt that negotiations would go slowly and that EU fatigue would set in with the Icelandic population. The process could slow down even further, he suggested, due to the bureaucracy of the EU, specifically because there will be a new European Commission this year. This Commission, he suggested, may be unable to complete its work in time for the vote by the European Council in December.

¶11. (SBU) Comment: Iceland is a fiercely independent nation that has long cherished its autonomy. However, the banking crisis was a serious jolt to this insular society and has made the once unthinkable idea of EU membership a very real possibility. A final decision on the matter is several years down the road and will likely depend on Iceland's economic situation at that time. While much press has centered on the possibility of fast-tracking Icelandic accession into the EU, the Ministry of Foreign Affairs was quick to note that accession by 2012 would be "ambitious, and a best-case scenario." If a near term positive economic recovery takes place, Icelanders may be quick to see the banking crisis as a blip on the screen and revert to their more autonomous tendencies. If the hard times linger, however, EU membership may be a much more realistic possibility. Polling after the economic crisis hit in October 2008 showed a high degree of support for immediate entry into the EU; current polls have seen significantly reduced support for EU accession.

¶12. (SBU) Support for entering into negotiations for Iceland's accession into the EU does not necessarily mean that Icelanders support its ultimate entry. Many Icelanders are interested in seeing what kind of deal can be negotiated with the EU, but are not going to accept just any proposal that is put forward. Although Icelanders are attracted to the stability that the Euro would provide, many are unwilling to make tough concessions in the fishing and agriculture industries. As a result, the battle over the EU accession has only just begun. End Comment.

KLOPFENSTEIN